



TaylorWessing

# R&D tax relief: tax savings for innovative enterprises

# What is R&D tax relief?

R&D tax relief (relief for research and development activities) was introduced into the regulations governing income tax (corporate income tax (CIT), and personal income tax (PIT)) and allows for an additional deduction from the tax base of selected R&D expenses.

As a result, these expenses are first treated as tax-deductible costs and then additionally deducted from the tax base. The additional deduction can amount to 100% or even 200% of the expenses.

## Who is eligible for R&D tax relief?

The use of R&D tax relief is possible regardless of the size of the company and the industry in which it operates. The key requirement is conducting research and development activities, understood as creative and systematic efforts undertaken to produce new or improved products, services, or processes. In practice, such activities are common to both the sector of new technologies and IT, and the more traditional manufacturing and service enterprises.

## What costs are deductible under R&D tax relief?

The most important categories of costs that may be eligible for R&D tax relief include:

- salaries and social security contributions of employees (employment contracts, contracts of mandate, and contracts for specific work),
- materials and raw materials,
- expertise, opinions, advisory services purchased from scientific units,
- costs of patents, protective rights, or registration of industrial designs,
- depreciation write-offs on fixed assets and intangible assets.

## How to apply R&D tax relief?

The first step should be to identify activities that meet the definition of R&D. Entrepreneurs should also segregate costs associated with this activity and prepare appropriate documentation along with justification for using the R&D tax relief. The documentation will be a safeguard in case of further questions or audits from the tax authority. In unclear aspects, it may be worthwhile to consider applying for an individual tax interpretation.

## How we can help you

We offer comprehensive support in implementing R&D tax relief:

- we will analyse the potential for its application in your company;
- we will support you in preparing the cost records and documentation supporting the use of R&D tax relief;
- we will prepare applications for tax interpretations and account for the deduction in your tax declarations. We will comprehensively support your company in dealings with the tax authorities concerning R&D tax relief.

